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JUNE 1980 SURVEY July 3, 1980
MONTHLY REPORT

Surveys of Consumer Attitudes

Richard T. Curtin, *Director*

JUNE SURVEY MARKS MODEST IMPROVEMENT FROM RECORD LOWS

** In the June 1980 survey, the Index of Consumer Sentiment was 58.8, up 7 Index points from the all-time record low recorded in the May 1980 survey (51.7). Despite this improvement late in the second quarter, the April-June reading of 54.4 is the lowest quarterly average on record. The June improvement was due to somewhat less pessimistic business expectations, and a somewhat more favorable view toward market conditions. The one-month improvement does not signal a reversal in trend, although it does indicate an end to the free-fall decline recorded in earlier months.

** Among families with incomes of $20,000 or more, the Index figure was 61.7 in June 1980, up from 55.2 in May, and 52.5 in April 1980, the cyclical lowpoint.

** Evaluations of current personal finances remained largely unchanged in the June 1980 survey, near record low levels. Expectations for future improvement were somewhat more optimistic in the June survey, mainly because of lower price expectations.

** News heard and recalled of changes in business conditions remained overwhelmingly pessimistic. A significant shift occurred in the content of news heard, from inflation and credit conditions to growing reports of unemployment and plant closings.

** Bad times financially were expected in the economy as a whole during the next 12 months by 75 percent of all families in June (down from 82 percent recorded in May), and bad times were expected during the next 5 years by 59 percent in June (down from 71 percent in May).

** Although 90 percent of all families reported in both May and June 1980 that business conditions were worse than those of a year earlier, the proportion who expected improved business conditions in the year ahead increased to 26 percent in June from 21 percent in May, and fewer respondents expected further deterioration in the coming year (32 percent in June compared with 39 percent in May 1980).

** Consumers expected prices to increase on average by 8.1% in June 1980, unchanged from the 8.2% recorded in May, and significantly below the record 13.1% recorded in January 1980. Interest rates were expected to decline during the next year by 54 percent of all families in June, up from just 10 percent recorded three months earlier in March 1980.

** Attitudes toward buying conditions for household durable goods, vehicles, and houses improved in the June 1980 survey. Unfavorable buying attitudes toward household durables declined from 58 percent in May to 48 percent in June, unfavorable buying attitudes toward vehicles declined from 61 percent in May to 49 percent in June, and unfavorable attitudes toward buying conditions for houses declined from 74 percent in May to 66 percent in June. These improvements in buying attitudes were due to some lessening of complaints about high interest rates and tight credit conditions.

The June survey included 688 interviews conducted between May 30 and June 24, 1980.

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SECOND QUARTER ADVANCE REPORT
APRIL-JUNE 1980 SURVEYS

July 3, 1980

Surveys of Consumer Attitudes

Richard T. Curtin, *Director*

SECOND QUARTER 1980 SURVEYS REACH RECORD LOW

** In the April-June 1980 surveys, the Index of Consumer Sentiment was 54.4, down from 63.5 in the January-March 1980 surveys. The April-June average reading of 54.4 is the lowest quarterly figure on record, below the 58.0 recorded in the 1974-75 recession. The most significant declines occurred in attitudes toward buying conditions.

** Among families with incomes of $20,000 and over, the Index figure was 57.0 in the second quarter 1980 surveys, down from 68.0 in January-March 1980, and nearly identical to the record low of 56.5 recorded in the 1974-75 recession.

** A new record level of pessimistic business expectations was recorded in the April-June 1980 surveys. Among all consumers:

Seventy-eight percent expect bad times financially in the economy during the next 12 months, above the prior record level of 70 percent in February 1975.

Sixty-six percent expect unemployment to increase during the next 12 months, above the prior record level of 63 percent recorded in November 1974.

** In contrast to the sharp declines in the outlook for the economy because of fears of unemployment, price and interest rate expectations have moderated in the second quarter of 1980.

** Unfavorable assessments of market conditions increased sharply in the second quarter of 1980, and have pushed buying attitudes to new record low levels.

Fifty-one percent rated buying conditions for household durables in April-June 1980 as unfavorable, significantly above the prior record level of 35 percent in November 1974.

Seventy-one percent rated house buying conditions as unfavorable in the April-June 1980 surveys, equal to the prior record of 71 percent recorded in late 1974.

Fifty-five percent rated buying conditions for vehicles as unfavorable in April-June 1980, somewhat below the late 1974 record level of 62 percent.

Consumers were more pessimistic in the second quarter of 1980 than ever before observed. Concern with spreading unemployment rather than fear of inflation has been responsible for lowered confidence in recent months. Although severely depressed before the March announcement, concern with credit conditions led to an accelerated deterioration in favorable buying attitudes. The deep declines will not easily nor quickly yield to sustained improvement. Inflation-pinched budgets and depleted savings and reserve funds will force relatively greater reductions in discretionary purchases. Use of credit and debt is likely to remain at low levels in the near term due to uncertainty about its use, as well as widespread expectation of lowered interest rates. Sustained improvement in consumer confidence can take place only when consumers perceive effective action to slow and reverse the downward trend in employment and incomes.

The second quarter 1980 surveys obtained 2,110 interviews conducted between March 20 and June 24, 1980.

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